

# Economics 551 (F2023): Government Finance (Revenues)

**Instructor:** Professor Terry Moon (Email: [tsmoon@mail.ubc.ca](mailto:tsmoon@mail.ubc.ca))

## Tentative Schedule & Reading List (\* = required; # = required & student presentation)

### 1. *Course Overview*

- 2023-09-06 (lecture 1): Introduction & Course Overview
- 2023-09-11 (lecture 2): The Role of the Government
  - (1) Auerbach, Alan, and James Hines, "Taxation and Economic Efficiency", Handbook of Public Economics, vol. 3, Chapter 21; Sections 1-3.
  - (2) Hendren, Nathaniel. 2016. "The Policy Elasticity" in J. Brown ed., Tax Policy and the Economy. Cambridge: MIT Press, Volume 30, 51-89.

### 2. *Labor Supply & Taxable Income Responses*

- 2023-09-13 (lecture 3): Labor Supply Responses
  - (1) Blundell, Richard W., and Thomas MaCurdy (1999). "Labor Supply: A Review of Alternative Approaches". in O. Ashenfelter and D. Card (eds.), Handbook of Labor Economics vol. 3A, Elsevier: Amsterdam.
  - (2) Card, David, and Dean R. Hyslop (2005). "Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers". *Econometrica* 73(6), 1723-1770.
  - (3) \*Eissa, Nada (1995). "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment". NBER Working Paper 5023.
  - (4) \*Eissa, Nada, and Jeffrey B. Liebman (1996). "Labor Supply Response to the Earned Income Tax Credit". *Quarterly Journal of Economics* 111(2), 605-637.
  - (5) Kleven, Henrik J. (2019). "The EITC and the Extensive Margin: A Reappraisal". Working Paper, September 2019.
- 2023-09-18 (lecture 4): Taxable Income Responses
  - (1) \*Feldstein, Martin S. (1995). "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act". *Journal of Political Economy* 103(3), 551-572.
  - (2) Goolsbee, Austan (2000). "What Happens When You Tax the Rich? Evidence from Executive Compensation". *Journal of Political Economy* 108(2), 352-378.
  - (3) Saez, Emmanuel, Joel B. Slemrod, and Seth H. Giertz (2012). "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review". *Journal of Economic Literature* 50(1), 3-50.
  - (4) \*Kleven, Henrik J., and Esben Schultz (2014). "Estimating Taxable Income Responses using Danish Tax Reforms". *American Economic Journal: Economic Policy* 6(4), 271-301.
  - (5) Kopczuk, Wojciech (2005). "Tax Bases, Tax Rates, and the Elasticity of Reported Income". *Journal of Public Economics* 89(11), 2093-2119.

### 3. *Savings and Retirement*

- 2023-09-20 (lecture 5): Savings and Retirement
  - (1) Poterba, J., S. Venti and D. Wise "Do 401(k) Contributions Crowd Out Other Personal Saving?". *Journal of Public Economics*, Vol. 58, 1995, 1-32.
  - (2) Gale, W. and J. Scholz "IRAs and Household Saving". *American Economic Review*, Vol. 84, 1994, 1233-1260.
  - (3) Venti, S. and D. Wise "Have IRAs Increased U.S. Saving? Evidence from Consumer Expenditure Surveys". *Quarterly Journal of Economics*, Vol. 105, 1990, 661-698. (4) Engelhardt, G.

- and A. Kumar (2007) “Employer Matching and 401(k) Saving: Evidence from the Health and Retirement Study”. *Journal of Public Economics*, 91(10), 1920-43
- (5) \*Dufflo, E., W. Gale, J. Liebman, P. Orszag and E. Saez “Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block”. *Quarterly Journal of Economics*, Vol. 121, 2006, 1311- 1346.
- (6) \*Chetty, Raj, John Friedman, Soren Leth-Petersen, Torben Nielsen, and Tore Olsen “Active vs. Passive Decisions and Crowd-out in Retirement Savings Accounts: Evidence from Denmark”. *Quarterly Journal of Economics*, 2014.

#### 4. *Capital and Corporate Taxes & Investment*

- 2023-09-25 (lecture 6): Capital Tax Incidence – Rental and Asset Markets for Capital
  - (1) \*Poterba, J.M., 1984. “Tax subsidies to owner-occupied housing: an asset-market approach”. *Quarterly Journal of Economics*, 99(4), pp.729-752.
  
- 2023-09-27 (lecture 7): Capital Tax Incidence – Harberger Model
  - (1) \*Harberger, Arnold. 1962. “The Incidence of the Corporation Tax”. *Journal of Political Economy* 70(3): 215-240.
  - (2) Hall, Robert E., and Dale W. Jorgenson. 1967. “Tax Policy and Investment Behavior”. *American Economic Review*, 57(3): 391-414.
  - (3) \*Fullerton, Don and Chi L. Ta. 2017. “Public Finance in a Nutshell: A Cobb Douglas Teaching Tool for General Equilibrium Tax Incidence and Excess Burden”. *National Tax Journal* 70(1): 155-170.
  
- 2023-10-04 (lecture 8): Empirical Evidence on Corporate Taxation and Investment
  - (1) #Zwick, E. and Mahon, J., 2017. “Tax policy and heterogeneous investment behavior”. *American Economic Review*, 107(1), pp.217-48.
  - (2) #Ohrn, E., 2018. The effect of corporate taxation on investment and financial policy: Evidence from the DPAD”. *American Economic Journal: Economic Policy*, 10(2), pp.272-301.
  - (3) \*Chen, Z., Liu, Z., Serrato, J.C.S. and Xu, D.Y., 2023. “Notching R&D investment with corporate income tax cuts in China”. *American Economic Review*, 2023, 111(7): 2065-2100.
  - (4) Liu, Yongzheng, and Jie Mao. 2019. “How Do Tax Incentives Affect Investment and Productivity? Firm-Level Evidence from China”. *American Economic Journal: Economic Policy*, 11(3): 261-291.
  - (5) Maffini, Giorgia, Jing Xing, and Michael P. Devereux. 2019. “The Impact of Investment Incentives: Evidence from UK Corporation Tax Returns”. *American Economic Journal: Economic Policy*, 11(3): 361-389.
  
- 2023-10-11 (lecture 9): Empirical Evidence on Corporate Taxation and Incidence on Wages
  - (1) #Fuest, C., Peichl, A. and Siegloch, S., 2018. “Do higher corporate taxes reduce wages? Micro evidence from Germany”. *American Economic Review*, 108(2), pp.393-418.
  - (2) \*Duan, Yige and Terry, Moon, 2023. “Corporate Tax Cuts and Worker Earnings: Evidence from Small Businesses”. Working Paper.

#### 5. 2023-10-12: (Optional) Office Hours

#### 6. *Payout Taxes & Investment*

- 2023-10-16 (lecture 10): Payout Taxation – “Old View” vs. ”New View”
  - (1) Feldstein, Martin. 1970. “Corporate Taxation and Dividend Behavior.” *Review of Economic Studies*, 37(1): 57-72.
  - (2) \*Auerbach, Alan. 1979. “Wealth Maximization and the Cost of Capital”. *Quarterly Journal of Economics*, 93(3): 433-446.
  - (3) Bradford, David. 1981. “The Incidence and Allocation Effects of a Tax on Corporate Distribution”. *Journal of Public Economics*, 15(1): 122.”

- (4) \*Poterba, James, and Lawrence Summers. 1983. "Dividend Taxes, Corporate Investment, and Q". *Journal of Public Economics*, 22(2): 135-167.
- (5) \*Chetty, Raj, and Emmanuel Saez. 2010. "Dividend and Corporate Taxation in an Agency Model of the Firm". *American Economic Journal: Economic Policy*, 2(3): 131.

- 2023-10-18 (lecture 11): Dividend Taxation and Investment
  - (1) #Yagan, D., 2015. Capital tax reform and the real economy: The effects of the 2003 dividend tax cut. *American Economic Review*, 105(12), pp.3531-63.
  - (2) \*Matray, A., 2023. "Dividend Taxes and the Allocation of Capital". Working Paper.
  - (3) Alstadster, Annette, Martin Jacob, and Roni Michaely. 2017. "Do Dividend Taxes Affect Corporate Investment?". *Journal of Public Economics*, 151: 7483.
- 2023-10-23 (lecture 12): Capital Gains Taxation and Firms' Investment
  - (1) \*Moon, Terry S. 2023. "Capital Gains Taxes and Real Corporate Investment: Evidence from Korea." *American Economic Review*, 112 (8): 2669-2700.
- 2023-10-25 (lecture 13): Capital Gains Taxation and Investor Behavior
  - (1) #Agersnap, Ole, and Owen M. Zidar. "The tax elasticity of capital gains and revenue-maximizing rates." No. w27705. National Bureau of Economic Research, 2020.
  - (2) #Lavecchia, A.M. and Tazhitdinova, A., 2023. Permanent and Transitory Responses to Capital Gains Taxes: Evidence from a Lifetime Exemption in Canada (No. w28514). National Bureau of Economic Research.
  - (3) Poterba, J.M., 1987. "How burdensome are capital gains taxes?: Evidence from the United States". *Journal of Public Economics*, 33(2), pp.157-172.
  - (4) Feldstein, M., Slemrod, J. and Yitzhaki, S., 1980. "The effects of taxation on the selling of corporate stock and the realization of capital gains". *The Quarterly Journal of Economics*, 94(4), pp.777-791.

## 7. *Tax Enforcement, International Taxes, and Wealth Taxation*

- 2023-10-30 (lecture 14): Tax Enforcement and Evasion
  - (1) \*Allingham, Michael G., and Agnar Sandmo (1972). "Income Tax Evasion: A Theoretical Analysis". *Journal of Public Economics* 1(3-4), 323-338.
  - (2) \*Kleven, Henrik J., Martin B. Knudsen, Claus T. Kreiner, Sren Pedersen, and Emmanuel Saez (2011). "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark". *Econometrica* 79(3), 651-692.
  - (3) Luttmer, Erzo F. P., and Monica Singhal (2014). "Tax Morale". *Journal of Economic Perspectives* 28(4), 149-168.
  - (4) Alstadster, Annette, Niels Johannesen, and Gabriel Zucman (2019). "Tax Evasion and Inequality". *American Economic Review* 109(6), 2073-2103.
- 2023-11-06 (lecture 15): International Tax Competition and Profit Shifting
  - (1) #Surez Serrato, J.C., 2018. "Unintended consequences of eliminating tax havens". NBER Working Paper, (w24850)
  - (2) Bertrand, Marianne, Paras Mehta and Sendhil Mullainathan "Ferretting Out Tunneling: An Application to Indian Business Groups". *Quarterly Journal of Economics*, 2002.
  - (3) Clausing, Kimberly A., "Tax-motivated Transfer Pricing and US Intra-firm Trade Prices". *Journal of Public Economics*, 2003
  - (4) Gordon, Roger and John D. Wilson, "An Examination of Multi-jurisdiction Corporate Income Taxation Under Formula Apportionment". *Econometrica*, 1986

## 8. 2023-11-08: (Mandatory) 1-1 Meetings

## 9. *Innovation Policies*

- 2023-11-20 (lecture 16): Innovation Policy (Part I)
  - (1) #Kline, P., Petkova, N., Williams, H. and Zidar, O., 2019. “Who profits from patents? rent-sharing at innovative firms”. *The Quarterly Journal of Economics*, 134(3), pp.1343-1404.
  - (2) Nirupama Rao, 2016. “Do tax credits stimulate R&D spending? The effect of the R&D tax credit in its first decade”. *Journal of Public Economics*, 140, pp.1-12.
  - (3) Howell, Sabrina “Financing Innovation: Evidence from R&D Grants”. *The American Economic Review* 107 (4) 2017, 1136-64.
  
- 2023-11-22 (lecture 17): Innovation Policy (Part II)
  - (1) # Bell, A., Chetty, R., Jaravel, X., Petkova, N. and Van Reenen, J., 2018. “Who becomes an inventor in America? The importance of exposure to innovation”. *The Quarterly Journal of Economics*, 134(2), pp.647-713.
  - (2) # Akcigit, U., Grigsby, J., Nicholas, T. and Stantcheva, S., 2023. “Taxation and Innovation in the 20th Century.” *Quarterly Journal of Economics*.

## 10. *Competition Policies*

- 2023-11-27 (lecture 18): Competition Policy
  - (1) \*Arnold, D., Moon, T., Milligan, Kevin, and Tavakoli Amir. “Job Transitions and Employee Earnings After Acquisitions: Linking Corporate and Worker Outcomes”. Working Paper.

## 11. 2023-11-29: Student Presentations

## 12. *Office Hours*

- 2023-12-04: (Optional) Office Hours
  
- 2023-12-06: (Optional) Office Hours